

Message Text

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ORIGIN AID-20

INFO OCT-01 NEA-10 ADP-00 AGR-20 EB-11 COME-00 OMB-01

TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 SS-15 NSC-10

IGA-02 L-03 /104 R

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USDA/EMS - F. JACK (INFO)

AA/PC - E. GRIFFEL (INFO)

ASIA/DP - A. SHAKOW (INFO)

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P 041855Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO PRIORITY

C O N F I D E N T I A L STATE 154227

C O R R E C T E D COPY (PARA 2 LINES NINE AND TEN)

E.O. 11652 - GDS

TAGS: EAID, CE

SUBJECT: PL-480 SITUATION

1. DEALWIS CALLED ON REES, ASIA/SA, TODAY, AUGUST 3, FOR BACKGROUND DISCUSSION OF TITLE I AND TITLE II SITUATION. ALSO PRESENT WERE THOMAS, ASIA/SA, AND GNEHM, NEA/INS. PURPOSE OF VISIT WAS TO SEEK READING ON POSSIBLE TIMING OF TITLE I WHEAT FLOUR AGREEMENT AND CLARIFY VEGOIL SUPPLY SITUATION UNDER TITLE II CARE PROGRAM.

2. RE TITLE I WE EXPLAINED CURRENT FOODGRAIN SITUATION AS KNOWN TO US IN FRANKEST POSSIBLE TERMS, INDICATING THAT
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WHILE FULL PARTICULARS OF SITUATION NOT YET FULLY KNOWN

SUFFICIENT EVIDENCE AVAILABLE NOW TO CONCLUDE THAT SUPPLY/ DEMAND SITUATION IS EXTREMELY TIGHT AND WILL PROBABLY REMAIN SO FOR REMAINDER OF THIS YEAR. NOTED SITUATION HAD NOT BEEN FULLY APPRECIATED HERETOFORE DUE INCOMPLETE INFORMATION WHICH NOW COMING TO HAND AS RESULT NEW REPORTING SYSTEMS. INDICATORS ARE THAT EXPORT DEMAND IS CONTINUING STRONG AND IS NOT REPEAT NOT LIKELY TO DECLINE DURING REMAINDER OF YEAR. POINTED OUT WHEAT/OTHER FOOD COMMODITIES FUTURES PRICES CONTINUE ADVANCE DAILY. ALSO CITED AS CONTINUING POSSIBILITY EMBARGO OF FOODGRAINS BUT ACKNOWLEDGED WE HAVE NO FACTUAL INFORMATION ON THIS STEP.

3. TITLE I. FOLLOWING THIS SITUATION REPORT, WE INFORMED DEALWIS THAT AS THINGS NOW STAND WE STILL CANNOT REPEAT CANNOT FORESEE ANY POSSIBILITY OF ACTING ON TITLE I REQUEST IN THE IMMEDIATE FUTURE. WE INFORMED HIM THAT THE CURRENT (BUT STILL TENTATIVE) PROPOSED GLOBAL ALLOCATION OF WHEAT FOR PL-480 (BOTH TITLES) WOULD BE SUCH THAT AFTER FIRM COMMITMENTS ALREADY MADE, ONLY 200,000 TONS OF WHEAT WOULD BE AVAILABLE FOR REMAINDER OF THIS FISCAL YEAR FOR ALL COUNTRIES. CLAIMS AGAINST 200,000 TON FIGURE TOTAL SOME 3 MILLION TONS. OBVIOUSLY, CASES WHERE HUMAN MISERY THREATENED WOULD HAVE HIGHEST PRIORITY IN THIS ALLOCATION PROCESS, AND SRI LANKA DID NOT APPEAR BE IN THIS CATEGORY. THEREFORE, WE COULD GIVE NO REAL ASSURANCES OF MEETING GSL NEEDS IN WHOLE OR IN PART. WE CAN AND WILL CONTINUE PRESS SRI LANKA CASE FOR WHEAT FLOUR BUT GSL SHOULD RECOGNIZE SUPPLY STRINGENCIES AND CONSIDER PRUDENCE OF CONTINGENCY COVERAGE OF ITS REQUIREMENTS WITHOUT RELIANCE ON PL-480. WE POINTED OUT THAT NO REPEAT NO FINAL DECISIONS HAVE BEEN MADE TO DATE ON SRI LANKA REQUEST AND IN FACT CONSIDERATION OF ALL COUNTRY REQUESTS IS SUSPENDED FOR THE PRESENT. OUR PRESENTATION OF THESE POINTS WAS INTENDED TO CONVEY ALL INFORMATION KNOWN TO US FOR FULLER UNDERSTANDING BY GSL OF THE CURRENT SITUATION.

4. DEALWIS RECOUNTED FINANCIAL PROBLEMS, EFFECT OF DROUGHT ON CURRENT CROP AND EMPHASIZED POLITICAL PROBLEMS FACED BY GOVERNMENT IN CURRENT SITUATION. ALSO INDICATED CONFIDENTIAL

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THIS INFORMATION MIGHT HAVE IMPORTANT BEARING ON GSL POSITION WITH IMF ON NEW STAND-BY, WHICH DISCUSSIONS, HE SAID, SEEM TO BE GETTING NOWHERE AT THIS TIME. DEALWIS INDICATED THIS NEW INFORMATION ON PL-480 SITUATION WOULD BE PASSED TO PM FOR HER CONSIDERATION.

5. TITLE II. WE CONFIRMED AGAIN IN CLEAREST TERMS THAT INABILITY SUPPLY VEGOIL WAS NOT REPEAT NOT RENEGING

(TERM USED BY COLOMBO IN CABLE TO GSL EMBASSY) ON PREVIOUS AGREEMENT TO MAINTAIN CURRENT PROGRAM LEVEL AT THE SAME LEVEL AS LAST YEAR BUT RATHER DUE TO NEW FACTOR OF TOTAL U.S. EMBARGO ACROSS THE BOARD ON ALL NEW VEGOIL PROGRAMS, NOTING NO EXCEPTIONS TO EMBARGO BEING PERMITTED EVEN FOR HUMANITARIAN TITLE II PROGRAMS. SECOND POINT WE MADE IS THAT WHEAT SUPPLY LIMITATION NOTED ABOVE UNDER TITLE I DISCUSSION MAY EFFECTIVELY CUT OFF FLOUR POSSIBILITY FOR TITLE II AS WELL THIS YEAR, EVEN SHOULD VEGOIL EMBARGO BE LIFTED. WE INDICATED AS CONSEQUENCE THAT WE UNABLE CONSIDER TITLE II PROGRAM AUTHORIZATION UNTIL BOTH VEGOIL AND WHEAT SITUATIONS CHANGE AND THAT COMPARATIVE PROSPECTS FOR APPROVAL IN FACE OF OTHER CLAIMS WERE NOT BRIGHT.

6. WE ASSUME DEALWIS WILL REPORT SUBSTANCE THIS CONVERSATION. DEALWIS MADE NO REPEAT NO WRITTEN RECORD OF POINTS COVERED AND EMBASSY MIGHT WISH BRIEF GUNASEKERA TO ASSURE ALL POINTS CORRECTLY UNDERSTOOD. WHILE NOTING SERIOUSNESS OF SUPPLY SITUATION (WORLDWIDE IN ITS IMPLICATIONS), YOU SHOULD ALSO CONTINUE EMPHASIZE THAT NO FINAL DECISIONS REACHED.

7. FYI: AMBASSADOR KANAKARATNE CALLING ON SISCO TUESDAY, PRESUMABLY TO REITERATE GSL FOOD NEEDS AS DESCRIBED ABOVE. WE WILL ATTEMPT REPLY TO POINTS RAISED IN COLOMBO 1928 IN SEPTEL EARLY NEXT WEEK. END FYI. ROGERS

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